

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Tekonsha	County Calhoun
Fiscal Year End March 31, 2008	Opinion Date June 19, 2008	Date Audit Report Submitted to State June 25, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

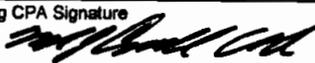
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State Zip MI 48707
Authorizing CPA Signature 		Printed Name Mark J. Campbell	License Number 1101007803

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 19, 2008

To the Township Board  
Township of Tekonsha  
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Tekonsha, Calhoun County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Tekonsha's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Tekonsha, Calhoun County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Tekonsha covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$927,263.66 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$364,851.04 from governmental activities. Governmental activities had a \$12,017.00 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Library Fund, the Agency Fund, and the Current Tax Collection Fund.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan  
**CONDENSED FINANCIAL INFORMATION**  
For the year ended March 31, 2008

	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Current Assets	499 937	537 132
Capital Assets	<u>416 927</u>	<u>391 363</u>
<b>Total Assets</b>	<b><u>916 864</u></b>	<b><u>928 495</u></b>
Current Liabilities	1 617	1 231
Non-current Liabilities	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<b><u>1 617</u></b>	<b><u>1 231</u></b>
<b>Net Assets:</b>		
Invested in Capital Assets	416 927	391 363
Unrestricted	<u>498 320</u>	<u>535 901</u>
<b>Total Net Assets</b>	<b><u>915 247</u></b>	<b><u>927 264</u></b>
	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Program Revenues:		
Fees and Charges for Services	68 419	76 569
General Revenues:		
Property Taxes	119 057	141 709
State Revenue Sharing	74 803	74 796
Interest	8 669	22 594
Miscellaneous	<u>22 840</u>	<u>49 183</u>
<b>Total Revenues</b>	<b><u>293 788</u></b>	<b><u>364 851</u></b>
Program Expenses:		
Legislative	30 274	33 126
General Government	86 984	105 239
Public Safety	91 713	143 674
Public Works	5 681	5 711
Recreation and Culture	<u>62 732</u>	<u>65 084</u>
<b>Total Expenses</b>	<b><u>277 384</u></b>	<b><u>352 834</u></b>
Increase in Net Assets	16 404	12 017
Net Assets, April 1	<u>898 843</u>	<u>915 247</u>
<b>Net Assets, March 31</b>	<b><u>915 247</u></b>	<b><u>927 264</u></b>

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

**Governmental funds:** All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Library Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$271,291.88.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$2,483.70 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 517-767-3366, or P.O. Box 91, Tekonsha, Michigan 49092.

TOWNSHIP OF TEKONSHA  
 Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
 March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	511 942 06
Taxes receivable	13 922 49
Accounts receivable	<u>11 267 36</u>
Total Current Assets	<u>537 131 91</u>
NON-CURRENT ASSETS:	
Capital Assets	705 618 62
Less: Accumulated Depreciation	<u>(314 255 67)</u>
Total Non-current Assets	<u>391 362 95</u>
TOTAL ASSETS	<u><u>928 494 86</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 231 20</u>
Total Current Liabilities	<u>1 231 20</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>1 231 20</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	391 362 95
Unrestricted	<u>535 900 71</u>
Total Net Assets	<u>927 263 66</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>928 494 86</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	33 126 28	-	(33 126 28)
General government	105 238 82	26 310 88	(78 927 94)
Public safety	143 673 88	43 355 83	(100 318 05)
Public works	5 710 54	824 60	(4 885 94)
Culture and recreation	65 084 52	6 077 39	(59 007 13)
<b>Total Governmental Activities</b>	<u>352 834 04</u>	<u>76 568 70</u>	<u>(276 265 34)</u>
General Revenues:			
Property taxes			145 222 97
State revenue sharing			74 796 40
Interest			22 593 79
Miscellaneous			<u>45 669 18</u>
<b>Total General Revenues</b>			<u>288 282 34</u>
Change in net assets			12 017 00
Net assets, beginning of year			<u>915 246 66</u>
Net Assets, End of Year			<u>927 263 66</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2008

<u>Assets</u>	<u>General</u>	<u>Library</u>	<u>Total</u>
Cash in bank	443 757 93	67 882 80	511 640 73
Taxes receivable	9 765 75	4 156 74	13 922 49
Accounts receivable	11 267 36	-	11 267 36
Due from other funds	1 059 72	-	1 059 72
<b>Total Assets</b>	<u><u>465 850 76</u></u>	<u><u>72 039 54</u></u>	<u><u>537 890 30</u></u>
 <u>Liabilities and Fund Equity</u>			
<b>Liabilities:</b>			
Accounts payable	1 231 20	-	1 231 20
Due to other funds	-	758 39	758 39
<b>Total liabilities</b>	<u><u>1 231 20</u></u>	<u><u>758 39</u></u>	<u><u>1 989 59</u></u>
<b>Fund equity:</b>			
Fund balances:			
Unreserved:			
Undesignated	464 619 56	71 281 15	535 900 71
<b>Total fund equity</b>	<u><u>464 619 56</u></u>	<u><u>71 281 15</u></u>	<u><u>535 900 71</u></u>
<b>Total Liabilities and Fund Equity</b>	<u><u>465 850 76</u></u>	<u><u>72 039 54</u></u>	<u><u>537 890 30</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	535 900 71
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	705 618 62
Accumulated depreciation	<u>(314 255 67)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>927 263 66</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2008

	<u>General</u>	<u>Library</u>	<u>Total</u>
Revenues:			
Property taxes	99 899 07	45 323 90	145 222 97
Licenses and permits	6 544 62	-	6 544 62
State revenue sharing	73 171 40	1 625 00	74 796 40
Penal fines	-	6 077 39	6 077 39
Charges for services:			
Fire	36 811 21	-	36 811 21
Property tax administration	15 097 88	-	15 097 88
Other	11 213 00	-	11 213 00
Interest	21 344 77	1 249 02	22 593 79
Special assessments	824 60	-	824 60
Miscellaneous	43 012 83	2 656 35	45 669 18
<b>Total revenues</b>	<u>307 919 38</u>	<u>56 931 66</u>	<u>364 851 04</u>
Expenditures:			
Legislative:			
Township Board	33 126 28	-	33 126 28
General government:			
Supervisor	6 897 39	-	6 897 39
Elections	2 720 20	-	2 720 20
Assessor	15 474 28	-	15 474 28
Clerk	12 153 95	-	12 153 95
Board of Review	1 407 54	-	1 407 54
Treasurer	11 620 72	-	11 620 72
Building and grounds	31 577 63	-	31 577 63
Cemetery	19 609 87	-	19 609 87
Tax roll	1 832 64	-	1 832 64
Public safety:			
Fire protection	115 861 98	-	115 861 98
Planning and zoning	5 975 16	-	5 975 16
Protective inspection	4 840 00	-	4 840 00
Public works:			
Drains	4 775 52	-	4 775 52
Street lights	935 02	-	935 02
Culture and recreation:			
Library	-	55 977 98	55 977 98
Capital outlay	2 483 70	-	2 483 70
<b>Total expenditures</b>	<u>271 291 88</u>	<u>55 977 98</u>	<u>327 269 86</u>
Excess (deficiency) of revenues over expenditures	36 627 50	953 68	37 581 18
Fund balances, April 1	<u>427 992 06</u>	<u>70 327 47</u>	<u>498 319 53</u>
Fund Balances, March 31	<u>464 619 56</u>	<u>71 281 15</u>	<u>535 900 71</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	37 581 18
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(28 047 88)
Capital Outlay	<u>2 483 70</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>12 017 00</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Tekonsha, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Tekonsha. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection Fund and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 2.8315 mills, and the taxable value was \$41,990,948.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25-30 years
Furniture and equipment	20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>511 942 06</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	253 830 97
Uninsured and Uncollateralized	<u>264 279 08</u>
Total Deposits	<u>518 110 05</u>

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Governmental Activities:</u>				
Land	10 000 00	-	-	10 000 00
Buildings	280 000 00	-	-	280 000 00
Equipment	<u>413 134 92</u>	<u>2 483 70</u>	-	<u>415 618 62</u>
Total	703 134 92	2 483 70	-	705 618 62
Accumulated Depreciation	<u>(286 207 79)</u>	<u>(28 047 88)</u>	-	<u>(314 255 67)</u>
Net Capital Assets	<u>416 927 13</u>	<u>(25 564 18)</u>	-	<u>391 362 95</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 8 – Building Permits**

As of March 31, 2008, the Township had building permit revenues of \$6,544.62 and building permit expenses of \$4,840.00.

**Note 9 – Budget Variances**

During the fiscal year ended March 31, 2008, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Building and grounds	15 900 00	31 577 63	15 677 63
Fire protection	99 331 00	115 861 98	16 530 98

**Note 10 – Interfund Receivables and Payables**

The Township had the following interfund receivables and payables at March 31, 2008:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	758 39	Library	758 39
General	301 33	Current Tax Collection	301 33
Total	<u>1 059 72</u>	Total	<u>1 059 72</u>

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
Property taxes	88 903 51	88 903 51	99 899 07	10 995 56
Licenses and permits	6 400 00	7 000 00	6 544 62	(455 38)
State revenue sharing	54 900 00	54 900 00	73 171 40	18 271 40
<b>Charges for services:</b>				
Fire	45 457 12	48 457 12	36 811 21	(11 645 91)
Property tax administration	14 896 72	14 896 72	15 097 88	201 16
Other	8 400 00	8 400 00	11 213 00	2 813 00
Interest	9 000 00	9 000 00	21 344 77	12 344 77
Special assessments	-	-	824 60	824 60
Miscellaneous	35 275 00	40 425 00	43 012 83	2 587 83
<b>Total revenues</b>	<b>263 232 35</b>	<b>271 982 35</b>	<b>307 919 38</b>	<b>35 937 03</b>
<b>Expenditures:</b>				
<b>Legislative:</b>				
Township Board	36 550 00	36 550 00	33 126 28	(3 423 72)
<b>General government:</b>				
Supervisor	7 975 00	7 975 00	6 897 39	(1 077 61)
Elections	6 500 00	6 500 00	2 720 20	(3 779 80)
Assessor	21 040 00	21 040 00	15 474 28	(5 565 72)
Clerk	13 235 00	13 235 00	12 153 95	(1 081 05)
Board of Review	1 675 00	1 675 00	1 407 54	(267 46)
Treasurer	12 725 00	12 725 00	11 620 72	(1 104 28)
Building and grounds	15 900 00	15 900 00	31 577 63	15 677 63
Cemetery	31 400 00	32 200 00	19 609 87	(12 590 13)
Tax roll	3 200 00	3 200 00	1 832 64	(1 367 36)
<b>Public safety:</b>				
Fire protection	130 831 00	99 331 00	115 861 98	16 530 98
Planning and zoning	7 550 00	7 550 00	5 975 16	(1 574 84)
Protective inspection	7 600 00	7 600 00	4 840 00	(2 760 00)
<b>Public works:</b>				
Drains	5 000 00	5 000 00	4 775 52	(224 48)
Street lights	950 00	950 00	935 02	(14 98)
Contingency	10 000 00	-	-	-
Capital outlay	2 500 00	2 500 00	2 483 70	(16 30)
<b>Total expenditures</b>	<b>314 631 00</b>	<b>273 931 00</b>	<b>271 291 88</b>	<b>(2 639 12)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(51 398 65)</b>	<b>(1 948 65)</b>	<b>36 627 50</b>	<b>38 576 15</b>
<b>Fund balance, April 1</b>	<b>51 398 65</b>	<b>1 948 65</b>	<b>427 992 06</b>	<b>426 043 41</b>
<b>Fund Balance, March 31</b>	<b>-</b>	<b>-</b>	<b>464 619 56</b>	<b>464 619 56</b>

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Revenues:</b>				
Property taxes	40 000 00	40 000 00	45 285 07	5 285 07
State revenue sharing	1 500 00	1 500 00	1 625 00	125 00
Penal fines	5 500 00	5 500 00	6 077 39	577 39
Interest	500 00	500 00	1 249 02	749 02
Miscellaneous	<u>4 000 00</u>	<u>4 000 00</u>	<u>2 695 18</u>	<u>(1 304 82)</u>
<b>Total revenues</b>	<u>51 500 00</u>	<u>51 500 00</u>	<u>56 931 66</u>	<u>5 431 66</u>
<b>Expenditures:</b>				
Culture and recreation:				
Library	56 000 00	56 000 00	55 977 98	(22 02)
Capital outlay	<u>35 500 00</u>	<u>35 500 00</u>	<u>-</u>	<u>(35 500 00)</u>
<b>Total expenditures</b>	<u>91 500 00</u>	<u>91 500 00</u>	<u>55 977 98</u>	<u>(35 522 02)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(40 000 00)	(40 000 00)	953 68	40 953 68
<b>Fund balance, April 1</b>	<u>40 000 00</u>	<u>40 000 00</u>	<u>70 327 47</u>	<u>30 327 47</u>
<b>Fund Balance, March 31</b>	<u>-</u>	<u>-</u>	<u>71 281 15</u>	<u>71 281 15</u>

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

Township Board:	
Salaries	2 400 00
Supplies	1 806 42
Audit and legal	13 179 81
Printing and publishing	460 88
Payroll taxes	3 168 78
Insurance	9 413 00
Memberships and dues	923 39
Miscellaneous	1 774 00
	<u>33 126 28</u>
Supervisor:	
Salary	6 800 04
Miscellaneous	97 35
	<u>6 897 39</u>
Elections:	
Wages	1 118 00
Professional services	1 428 42
Supplies	80 00
Printing and publishing	93 78
	<u>2 720 20</u>
Assessor:	
Contracted services	14 220 00
Miscellaneous	1 254 28
	<u>15 474 28</u>
Clerk:	
Salary	12 040 43
Miscellaneous	113 52
	<u>12 153 95</u>
Board of Review:	
Wages	990 50
Miscellaneous	417 04
	<u>1 407 54</u>
Treasurer:	
Salary	11 600 04
Miscellaneous	20 68
	<u>11 620 72</u>
Building and grounds:	
Operating	31 577 63
Cemetery:	
Salaries	1 000 00
Contracted services	17 100 60
Miscellaneous	1 509 27
	<u>19 609 87</u>
Tax roll:	
Supplies	1 377 64
Miscellaneous	455 00
	<u>1 832 64</u>

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

Fire protection:	
Wages	30 764 48
Payroll tax	2 395 62
Insurance	8 404 59
Uniforms	134 10
Operating supplies	4 044 59
Fuel	2 221 78
Equipment maintenance	14 454 92
Contracted services	43 127 36
Memberships and dues	494 00
Telephone	1 090 05
Utilities	7 958 39
Miscellaneous	772 10
	<u>115 861 98</u>
Planning and zoning	<u>5 975 16</u>
Protective inspection	<u>4 840 00</u>
Drains at large	<u>4 775 52</u>
Street lighting:	
Utilities	<u>935 02</u>
Capital outlay	<u>2 483 70</u>
Total Expenditures	<u><u>271 291 88</u></u>

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

LIBRARY FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2008

Library:	
Wages	16 516 25
Books	8 364 83
Payroll taxes	1 263 49
Rent	18 364 54
Repairs and maintenance	1 112 62
Supplies	1 629 41
Dues	754 64
Utilities	5 224 24
Miscellaneous	<u>2 747 96</u>
Total expenditures	<u><u>55 977 98</u></u>

TOWNSHIP OF TEKONSHA  
Calhoun County, Michigan

**COMBINING STATEMENT OF CHANGES IN ASSETS  
AND LIABILITIES – ALL AGENCY FUNDS**  
Year ended March 31, 2008

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/08</u>
<b><u>CURRENT TAX COLLECTION FUND</u></b>				
<b><u>Assets</u></b>				
Cash in Bank	<u>158 09</u>	<u>1 406 794 69</u>	<u>1 406 651 45</u>	<u>301 33</u>
<b><u>Liabilities</u></b>				
Due to other funds	158 09	129 149 30	129 006 06	301 33
Due to other units	<u>-</u>	<u>1 277 645 39</u>	<u>1 277 645 39</u>	<u>-</u>
Total Liabilities	<u>158 09</u>	<u>1 406 794 69</u>	<u>1 406 651 45</u>	<u>301 33</u>
<b><u>AGENCY FUND</u></b>				
<b><u>Assets</u></b>				
Cash in Bank	<u>5 573 14</u>	<u>3 252 90</u>	<u>8 826 04</u>	<u>-</u>
<b><u>Liabilities</u></b>				
Due to other funds	472 12	985 68	1 457 80	-
Due to other units	<u>5 101 02</u>	<u>2 267 22</u>	<u>7 368 24</u>	<u>-</u>
Total Liabilities	<u>5 573 14</u>	<u>3 252 90</u>	<u>8 826 04</u>	<u>-</u>
<b><u>TOTALS – ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash in Bank	<u>5 731 23</u>	<u>1 410 047 59</u>	<u>1 415 477 49</u>	<u>301 33</u>
<b><u>Liabilities</u></b>				
Due to other funds	630 21	130 134 98	130 463 86	301 33
Due to other units	<u>5 101 02</u>	<u>1 279 912 61</u>	<u>1 285 013 63</u>	<u>-</u>
Total Liabilities	<u>5 731 23</u>	<u>1 410 047 59</u>	<u>1 415 477 49</u>	<u>301 33</u>

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 19, 2008

To the Township Board  
Township of Tekonsha  
Calhoun County, Michigan

We have audited the financial statements of the Township of Tekonsha for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Tekonsha in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Tekonsha  
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants